

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**OA No.05/2020**

**In the matter of  
Truing up of accounts of M/s Cochin Port Trust (CoPT)  
for the financial year 2018-19**

Applicant : M/s Cochin Port Trust (CoPT)  
Respondent : M/s Kerala State Electricity Board Limited  
Present: : **Shri. R. Preman Dinaraj, Chairman**

**ORDER DATED 21/04/2020**

1. M/s Cochin Port Trust (CoPT) is a deemed distribution licensee under the proviso to Section 14 of the Electricity Act 2003. The licensed distribution business of CoPT involves the distribution of electricity across Willington Island, Vallarpadam and Puthuvypin areas. CoPT is having 2 power injection points, one at Willington island area under 110kV system with contract demand of 6500 kVA and another at Vallarpadam SEZ area under 11 kV with contract demand of 3000 kVA.
2. In compliance to Regulation 11 of the KSERC (Terms and conditions for Determination of Tariff) Regulations, 2018 (*hereinafter referred to as the Tariff Regulations 2018 or the Regulations*) M/s Cochin Port Trust (CoPT) vide letter No. FD/Costing/Truing-up 2018-19/2019 submitted a petition for truing up of accounts along with the audited accounts for the Financial Year, 2018-19. On 30.10.2019, the Commission in OA 7/2019 had approved the licensee's ARR & ERC for the control period 2018-19 to 2021-22, with a revenue surplus of Rs.29.60 lakh as against a revenue deficit of Rs.1214.73 lakh projected by M/s CoPT. CoPT in their Truing Up Petition for 2018-2019 has claimed a Revenue Gap of Rs.1218.19 lakh.
3. A comparison of the approved ARR & ERC for 2018-19 and the amounts claimed by the licensee as per the truing up petition and the figures of the previous year is tabulated below:

**Table- 1**  
**Comparison of truing up of accounts for 2017-18 and 2018-19**

Particulars	2017-18		2018-19		
	As per Truing Up Petition	Approved in Trued Up	Approved in ARR	As per Truing Up Petition	Difference over approved ARR
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Power Purchase Cost	2,353.63	2,353.63	2,368.70	2,402.18	33.48
R&M Expenses	11.37	10.55	435.22	24.89	584.30
Employee cost	904.32	350.95		925.86	
A&G Expenses	83.36	62.18		68.77	
Depreciation	181.02	181.02	179.70	178.58	-1.12
Interest charges on long term loans	1.37	0.92	-	473.05	473.05
Interest on Working Capital	191.85	-	4.32	11.04	6.72
Interest on consumer security deposits	29.31	29.31	30.91	28.97	-1.94
Return on NFA	81.72	81.72	76.20	76.68	0.48
<b>Total Expenditure</b>	<b>3,837.95</b>	<b>3,070.28</b>	<b>3,095.05</b>	<b>4,190.02</b>	<b>1,094.97</b>
Revenue from sale of power	2,947.54	2,947.54	2,868.88	2,929.27	60.39
Other income	39.49	411.89	255.77	42.57	-213.20
<b>Total income</b>	<b>2,987.03</b>	<b>3,359.43</b>	<b>3,124.65</b>	<b>2,971.84</b>	<b>-152.81</b>
<b>Revenue Surplus (+)/ Gap (-)</b>	<b>(-)850.92</b>	<b>(+)289.15</b>	<b>(+)29.60</b>	<b>(-)1218.19</b>	<b>1,247.79</b>

4. The licensee in the truing up petition has claimed a revenue gap of Rs.1218.19 lakh, as against the revenue surplus of Rs.29.60 lakh approved by the Commission in the ARR Order dated 30-10-2019. The substantial increase in revenue gap is largely on account of the interest on long term loans and higher O&M expenses claimed in the truing up petition.
5. After receiving the petition, Commission sought clarifications vide letter dated 21-01-2020 and M/s CoPT furnished the clarifications vide letter dated 15-02-2020.

#### **Hearing on the matter**

6. The public hearing on the petition was conducted at the Conference Hall of Cochin Port Trust at 11.00 am on 17-02-2020. Sri Amal Kumar Mehara, Deputy Chairman, CoPT, Sri. B Bhagyanath, Financial Advisor and CAO, CoPT, Smt. Rajashree K Dabke, Sr.Dy CAO, CoPT, Sri. M M Abdul Rahim, Superintending Engineer Electrical, CoPT and other officers represented the petitioner. Smt. Rajashree presented the petition and responded to the queries of the Commission. The main points submitted in the petition are summarized below.

- Revenue from sale of 347.24 lakh units of power is Rs.2929.27 lakh and the Non-Tariff Income claimed is Rs.42.57 lakh.
  - Power purchase cost for 354.29 lakh units is Rs.2402.18 lakh.
  - The distribution loss for the year 2018-19 is 1.99%, which is marginally lower than the 2.00% loss level approved in ARR.
  - Employee cost and R&M expenses claimed is higher than the approved level.
  - As per the Government of India Order, the repayment of loan has commenced 2018-19. Hence, Rs.473.05 lakh is claimed as interest and finance charges for the loan allocated to distribution business.
  - Rs.76.68 lakh is claimed as return on net fixed assets @3%.
7. Sri. Manoj. G, AEE, TRAC represented KSEB Ltd. and presented the views and written remarks of KSEB Ltd. on the application. The major points raised by KSEB Ltd. are the following:
- The distribution cost (expense excluding power purchase cost) per unit is Rs.5.05, which is high compared to Rs.2.08 per unit approved as per ARR.
  - The distribution loss claimed by the licensee 1.99% and approved in ARR order is 2%. The power generated through internal generation is not considered for calculation of distribution loss.
  - The O&M expenses claimed in truing up petition is 134.13% higher than the approved cost.
  - In some consumer categories, energy consumption and average realization has reduced, compared to previous year.
  - Interest and finance charges for the loan repayment to the GOI made by CoPT may be allowed, only after considering the Commission approved depreciation, in the truing up of accounts of previous years.
  - The expenditure incurred for the Solar plant of 180 kWp at Rs.99.35/ Wp, exceeds the 2018-19 MNRE benchmark cost of Rs.53/ Wp.
  - In the truing up of accounts for the previous year, the Commission did not allow any interest on working capital, since there was excess working capital available with the licensee. The accumulated revenue surplus is also available with the licensee.
  - The licensee's power purchase cost tally with KSEB Ltd accounts.
8. Sri. Prasanth, representing the National Technical Research Organisation (NTRO), mentioned that they are currently charged under HT-4 category and requested the Commission to consider a reduction in tariff. On this request, the

Commission expressed their inability, since the present proceedings are for truing up of the licensee's accounts. ***The Commission advised the representative of NTRO that, grievance, if any regarding their tariff category can be considered only if a petition is filed and on its merits.***

### Analysis and decision of the Commission

9. The Commission considered the licensee's 2018-19 truing up petition, the additional clarifications and submissions and the comments of KSEB Ltd as per the provisions of the Tariff Regulation 2018. The analysis and decisions of the Commission on the truing up petition for the year 2018-19 are detailed below:

#### No. of Consumers & Sale of power: -

10. The energy sale for the year 2018-19 as per the truing up petition is 347.24 lakh units as against the ARR approved sale of 341.91 lakh units, whereas the sale for 2017-18 was 338.53 lakh units. A comparison of the licensee's number of consumers and sales for the years 2017-18 and 2018-19 is tabulated below.

**Table- 2**  
**Tariff category wise number of consumers and sales**

Particulars	No. of Consumers		Sale lakh units	
	2017-18	2018-19	2017-18	2018-19
LT I	533	552	7.72	8.68
LT II	2	2	3.35	3.31
LT IV	2	2	0.01	0.40
LT VI A	17	14	3.98	3.19
LT VI B	33	36	3.17	4.39
LT VI B G	14	19	0.86	0.76
LT VI C	9	8	2.88	1.84
LT VI C G	12	12	0.52	0.57
LT VI F	6	5	2.48	1.08
LT VII A SINGLE PHASE	294	328	3.26	3.37
LT VII A THREE PHASE	191	188	39.89	37.39
LT VII C	4	4	0.23	0.53
Self consumption & Street lights	103	65	28.67	37.30
HT INDUSTRIAL	1	1	7.45	5.38
HT GOVT	5	4	12.79	8.86
HT II (B) GOVT	1	1	4.88	4.03
HT IV COMMERCIAL	20	23	187.60	226.17
HT IV MALABAR	2		28.79	
<b>Total</b>	<b>1249</b>	<b>1264</b>	<b>338.53</b>	<b>347.24</b>

11. As seen above, the number of consumers during 2017-18 was 1249 and the sale was 338.53 lakh units. This increased to 1264 and 347.24 lakh units respectively during 2018-19. The major share of the sale (244.44 lakh units) is to the HT category having 29 consumers. Compared to the previous year, sale to some consumers under HT Category had reduced. The increase in the number of consumer compared to the previous year is under the LT I domestic and LT VII A Single phase, commercial categories, whereas there is a decrease under self-consumption and street lights.
12. During the public hearing, the Commission sought clarifications on the reduction in the number of consumers. The licensee clarified that multiple connections under self-consumption and street lighting were merged which resulted in decrease in number of consumers in the said category. **After examining the details furnished by the licensee, the Commission approves the licensee's energy sales of 347.24 lakh units as per the 2018-19 truing up petition.**

#### Energy requirement and Distribution Loss:

13. As per the licensee's petition, during 2018-19, they had purchased 354.29 lakh units of energy, whereas the energy requirement for 2017-18 was 345.45 lakh units. In the ARR & ERC for the control period, the Commission had approved a distribution loss of 2.00% for the year. The licensee's petition indicates the actual distribution loss at 1.99% as shown below.

**Table- 3**  
**Comparison of distribution loss**

Year	2017-18		2018-19	
	ARR Approved	Approved in Trued Up	ARR Approved	As per Truing Up Petition
Energy sales (lakh units)	335.68	338.54	341.91	347.24
Energy Requirement (lakh units)	362.94	345.45	348.89	354.29
Distribution loss (Lakh units)	7.26	6.91	6.98	7.05
<b>Distribution loss (%)</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>1.99%</b>

14. As per the petition, the licensee has commissioned a roof top solar energy plant with a capacity of 180 kWp on 31-03-2017. The Commission notes that the licensee has estimated the distribution loss based on the energy purchased from KSEB Ltd. alone and not considered the generation from the solar PV plant. On the Commission query, the licensee clarified that 2.10 lakh units of solar PV was generated during 2018-19. This generation was used by the licensee for self-consumption (for CoPT installations) under the net metering mode. Hence, the licensee had excluded this self-generation from the total energy available.

Considering this, the Commission has excluded the solar PV plant generation for the purpose of estimating the distribution loss.

15. The actual distribution loss reported by the licensee for the year is 1.99%, whereas the loss target for the year was 2%. The licensee has achieved the energy loss target fixed by the Commission. Since the efficiency gain is only 0.01%, no adjustment on the efficiency gain is considered. Based on the data furnished by the licensee, the distribution loss approved is shown below:

**Table- 4**  
**Distribution loss approved for 2018-19**

Particulars	Approved for the year
Total Energy Sales (lakh units)	347.24
Energy input from KSEB Ltd (lakh units)	354.29
Distribution loss (lakh units)	7.05
<b>Distribution loss %</b>	<b>1.99%</b>

16. *As shown above, the Commission approves the distribution loss at 1.99%. Since this efficiency gain is meagre, no adjustment in power purchase cost is made.*

**Power purchase cost:**

17. The licensee in their petition has claimed Rs.2402.18 lakh as the power purchase cost for the purchase of 354.29 lakh units. The corresponding figures for 2017-18 was Rs.2353.63 lakh for 345.45 lakh units. The Commission had in the licensee's ARR for 2018-19 approved the power purchase cost of Rs.2368.70 lakh for the purchase of 348.89 lakh units. The licensee has furnished area wise details of the energy purchase and the cost which is tabulated below.

**Table – 4**  
**Details of cost of power purchase for the year 2018-19**

Particulars	Willington Island	Vallarpadam	Total
Energy purchased (lakh units)	265.47	888.21	354.29
Contract Demand (kVA)	78000	36000	114000
Maximum Demand Billed (kVA)	65138	27000	92138
Demand Charges (Rs./ kVA)	300	300	300
Total Demand Charges (Rs. lakh) (A)	195.41	81.00	276.41
Energy charges (Rs./kWh)	6.00	6.00	
Total Energy Charges (Rs. lakh) (B)	1592.84	532.93	2125.76
<b>Cost of power purchase (A + B) (Rs. lakh)</b>	<b>1788.25</b>	<b>613.93</b>	<b>2402.18</b>
Average power purchase cost (Rs./ per unit)			6.78

18. **Considering the distribution loss of 1.99% for the year 2018-19, the Commission approves the power purchase cost of Rs.2402.18 lakh as claimed by the licensee.**

**O&M Expenses:**

19. Operation & maintenance (O&M) expenses include controllable expenses such as Employee Cost, Repair & Maintenance Expenses and Administrative & General Expenses. The Commission as per Regulation 79(7) of the KSERC (Terms and conditions for determination of tariff) Regulations, 2018 had approved the licensee's normative O&M expenses for the control period. In the licensee's approved ARR & ERC for 2018-19, the Commission had approved a normative O&M expense of Rs.435.22 lakh. A comparison of the licensee's claim and the normative amounts approved by the Commission is shown below.

**Table – 5  
Comparison of the O&M Expenses for 2018-19**

Particulars	2018-19	
	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employee cost	435.22	925.86
R&M Expenses		24.89
A&G Expenses		68.77
<b>Total O&amp;M Expenses</b>	<b>435.22</b>	<b>1019.52</b>

20. The Commission has conducted a detailed analysis of each of the O&M components claimed by the licensee and arrived at the following decisions:

**Employee cost:**

21. For the financial year 2018-19, the Commission had in the ARR approved the licensee's total O&M expenses of Rs. 435.22 lakh. Out of this approved O&M expenses, Rs. 364.42 lakh as employee cost. However, the licensee in their truing up petition has claimed Rs.925.86 lakh as employee cost alone for this period. In view of the substantial difference between the approved and normative expenses, the Commission has conducted a careful examination of each of the item of expenses booked under this account.
22. In the petition, the licensee stated that the strength of distribution business employees had decreased from 92 in 2017-18 to 83 during 2018-19. As per the split up submitted in the application, Rs.834.11 lakh is claimed under salary &

wages and Rs.71.75 lakh is claimed as terminal benefits. The comparison of the split up of employee cost for 2017-18 and 2018-19 is given below.

**Table- 6**  
**Comparison of Actual Employee Cost**

Particulars	2017-18 As per Truing Up Petition (Rs. lakh)	2018-19 As per Truing Up Petition (Rs. lakh)
Salaries & wages	794.84	819.97
PLR	12.05	13.09
Overtime	7.81	1.04
<b>Total</b>	<b>814.70</b>	<b>834.11</b>
Add: Terminal Benefits @ 11%	89.62	71.75
<b>Grand Total</b>	<b>904.32</b>	<b>925.86</b>
<b>Number of employees</b>	<b>92</b>	<b>83</b>

23. The licensee claimed that the increase in salary and wages over the previous year is due to the grant of annual increment, DA variation and wage revision. The licensee has also furnished the details of deployment of employees in CoPT. The detailed split up of employee deployment is furnished below.

**Table- 7**  
**Details of Deployment of Employees**

Class of Employees	Number as on 31.03.2018	Number as on 31.03.2019
Class I	1	1
Class II	2	1
Class III	82	76
Class IV	7	5
<b>Total</b>	<b>92</b>	<b>83</b>

24. The Commission notes that, even though there is a reduction in the number of employees, the licensee has not evolved any norms for employee deployment, in spite of operating over many decades. This is not acceptable. ***The Commission hereby directs the licensee to work out the actual employee requirement based on CEA norms and get the same approved by the Commission within four months of the date of this Order.***
25. The Commission has noted that the employee cost has increased when compared to the previous year. While elements such as annual increment, dearness allowance revision, wage revision etc. are inevitable and have to be considered, ***the Commission's analysis reveal that the number of consumer per employee is just 15.*** This is highly disproportionate and the Commission is



constrained not to accept this figure. Regarding revisions on account of wages, DA etc. the licensee has not furnished relevant supporting details to justify their claims. ***Since the licensee has not provided the relevant details, the Commission cannot estimate its impact and allow the additional cost on this account. This can be considered, if the licensee submits the relevant details within three months of the date of this Order.***

#### Repair and Maintenance Charges:

26. In the licensee's ARR for 2018-19, out of the approved Rs. 435.22 lakh for O&M expenses, Rs.20.37 lakh is for R&M expenses. The licensee in their petition has claimed Rs.24.89 lakh for the repair and maintenance of plant and machinery and vehicles. The Commission's careful examination of the details provided under this account reveal that Rs.21.82 lakh was expended for R&M works of plant and machinery and Rs.3.07 lakh for vehicles. The split up of the amount claimed by the licensee is shown below.

**Table- 8  
R&M expenses claimed for 2018-19**

Particulars	Rs. lakh
Power Equipment Testing charge paid to KSEB for 110 kV S/S (Statutory)	4.37
High speed diesel for vehicle and sky lift	7.23
Relay testing charge paid to KSEB for 110 kV S/S & calibration of meters ( Statutory )	1.81
Servicing of VCB by OEM	0.22
Consumables required for repairing works	4.14
Cost of Service wire , HT insulator , straight through kit etc.	2.27
Engine oil for vehicles (Sky lift , Jeep - store items )	1.52
Filtering & Testing charges of Transformers	1.09
Patch work and painting of KL7AF8119	0.58
Hire charges - Cable Fault Locator	0.57
Cost of Uniform items provided to employees	0.56
Battery 2V , 100AH for control supply at 110 kV S/S	0.52
<b>Total</b>	<b>24.89</b>

27. As per the split up, the main expense is towards high speed diesel for vehicle and sky fit and statutory testing charges (Power Equipment Testing charge & Relay Testing charge) for the 110 kV substation paid to KSEBL. Another major expense is Rs.4.14 lakh, towards the consumable required for repairing works.

28. In reply to the clarifications sought by the Commission, the licensee vide letter dated 15-02-2020 stated that “*the increase in R&M expense is mainly due to expenditure incurred in connection with cable damage due to heavy rain and natural calamity in 2018-19*”. The licensee further pointed out that, Rs.6.18 lakh is the onetime expense under R&M for statutory tests such as PET, relay testing and calibration of equipment which are statutory in nature. Since this expense was not incurred in the previous years, it may be treated as a one-time expense.
29. The Commission has examined the licensee’s contentions and statement that the increase in R&M expenses is due to flood related works. However, the licensee has not furnished any justifiable details to establish this claim. Even the split up details provided by the licensee does not reveal any such claim. **Hence the Commission is not able to quantify the financial impact of flood related R&M works.** Another claim by the licensee above the normative expenses is due to statutory charges i.e. power equipment and relay testing charges paid to KSEB Ltd. Since this expenditure is not of routine nature, they have requested to allow this expense as a onetime charge. **The Commission after due consideration concurs with the licensee’s submission and allows an additional amount of Rs.6.18 lakh (Rs.4.37 lakh+1.81lakh) under R&M as a one-time expense.**

#### A&G Expenses:

30. In the licensee’s ARR for 2018-19, out of the total O&M expenses of Rs.435.22 lakh, the Commission had approved Rs.50.43 lakh as A&G expenses. The licensee in their truing up petition has claimed Rs.68.77 lakh under this head, excluding electricity duty. A comparison of the A&G expenses of the current year and previous years is tabulated below.

**Table- 9**  
**Comparison of A&G Expenses over the years**

Particulars	2016-17 As per Truing Up Petition (Rs. lakh)	2017-18 As per Truing Up Petition (Rs. lakh)	2018-19 As per Truing Up Petition (Rs. lakh)
Rent Rates & Taxes	5.36	5.47	5.51
Insurance	-	-	1.14
Telephone & Postage, etc.	0.38	0.31	0.28
Internet and related charges	0.19	0.16	0.14
Legal charges	11.53	0.66	0.77
Audit Fees	0.64	0.51	0.50
Travelling expense	0.67	0.74	0.90
Conveyance	0.55	0.47	0.54
License fee	2.35	2.22	1.28
Electricity charges	9.40	9.40	9.40
Water charges	1.52	1.70	2.05

Entertainment	0.30	0.12	0.06
Fees & subscription	0.02	0.01	0.02
Printing & Stationery	0.16	0.08	0.08
Advertisements, exhibition publicity	0.62	0.31	0.46
Miscellaneous Expenses	0.58	0.43	0.86
Computer Stationery	0.07	0.05	0.05
Security arrangements	36.10	43.66	44.73
Electricity Duty under Section 3	17.70	17.06	-
<b>Gross A &amp;G Expenses</b>	<b>88.12</b>	<b>83.36</b>	<b>68.77</b>

31. The Commission's careful examination of the details above reveal that the major share of the claim i.e. Rs.44.73 lakh is for security arrangements. The other major expenses are electricity charges of Rs.9.40 lakh and Rs.5.51 lakh towards rent, rates and taxes. Further, Rs.1.14 lakh is claimed as insurance expense for the first time in 2018-19.
32. The Commission had sought the details of apportionment of A&G expenses to the distribution business by CoPT vide letter dated 21-01-2020. The licensee in their reply dated 15-2-2020 stated that the electricity distribution business is considered as a separate profit centre and a portion of the common expenses attributable to the distribution business is allocated from the total CoPT expenses. The licensee also clarified that insurance, electricity charges, license fee and other related fees and security expenses are directly allocated to the distribution business, while in all other items, 1 to 2% of the total expenses of CoPT is allocated to the distribution business.
33. The licensee has claimed Rs.44.73 lakh under security charges. As per details submitted by the licensee, salary of 6 CISF constables is claimed from distribution business. The licensee has stated that since CoPT is under security blanket as per ISPS Regulations and is vulnerable to security threat, round the clock security arrangements are inevitable. Accordingly, 6 constables have been posted for the protection of 110 kV system and power house. The expenses claimed are for security staff deployed solely for guarding the distribution installations as given below:-

**Table- 10**  
**Details of security arrangements claimed for 2018-19**

Particulars	Rs. Lakh
CISF Salary per month	131.73
Leave salary Contribution per month	10.12
Pension Contribution per month	9.74
<b>Total Cost per month</b>	<b>151.59</b>
No. of Personnel	244
Rs./ personnel per month	0.6213

Total Cost of 6 Personnel per annum (0.6213x6x12)	44.73
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34. The Commission has carefully considered the licensee's claim towards security charges. Since CoPT is a sensitive area and CISF security is provided to CoPT, the security detailing and deployment is done by CISF as per threat perception and norms. Security being a sensitive issue and since the security coverage is being provided by CISF as per their assessment, the Commission accepts the licensee's submission regarding this claim. Since the normative O&M expenses is inclusive of a portion of the security charges already allowed in the year 2016-17, the same is to be considered while allowing the additional security charges. The portion of the security charges in the normative O&M expenses is estimated to be Rs.13.67 lakh. **Thus an amount of Rs. 31.06 lakh (Rs.44.73lakh – Rs.13.67 lakh) is allowed separately under O&M expenses to fully cover the security charges.**
35. In addition, the licensee has booked Rs.1.14 lakh as insurance expense though no such payment was booked in earlier years. The licensee clarified that the insurance expenses of Rs.1.14 lakh is the actual premium paid in 2018-19 for the electrical assets. **The Commission accepts the licensee's clarification that this amount was spent for securing insurance coverage of the licensee's electrical assets and additionally allows Rs.1.14 lakh towards this expenditure.**
36. Regarding electricity charges, the Commission notes that the licensee has booked the same amount as that booked since 2015-16 as electricity charges for 2018-19 also. In clarification, the licensee stated that since no change in consumption was anticipated from the year 2015-16 and the tariff change was also negligible, the same amount as that of 2015-16 was taken during 2018-19 also. The licensee further stated that from 2019-20 onwards, actual meter readings will be reflected due to the introduction of smart meters in all connection points. **The Commission accepts the licensee's explanation for this truing up. The Commission clearly directs that henceforth, the licensee has to claim this expense on the basis of meter reading and no exception will be allowed. Further, all identifiable distribution business A&G expenses shall be booked directly and presented to the Commission with proper details and justification during truing up. Only the joint expenses, if any, should be apportioned on a reasonable basis.**

**O&M Expenses Approved:**

37. The normative O&M expense, which is inclusive of employee costs, R&M expenses, and A&G expenses, for the year 2018-19 as per the Tariff Regulations, 2018 is Rs.435.22 lakh. In addition to the above, following amounts are approved under O&M expenses :

- |  |   |                       |
|--|---|-----------------------|
| <b>a.</b> O&M expenses as per Regulation         | - | Rs. 435.22 lakh       |
| <b>b.</b> Additional Expense approved under R&M  | - | Rs.6.18 lakh          |
| <b>c.</b> Additional expenses allowed under A&G  | - | Rs.32.20 lakh         |
| <b>d.</b> Total O&M expenses allowed for 2018-19 | - | <b>Rs.473.60 lakh</b> |

**Depreciation:**

38. As per Tariff Regulations 2018, the licensee (ARR) has claimed depreciation of Rs.178.58 lakh (ARR - Rs.179.70 lakh) for the year in the straight line method. The licensee has during the year made an asset addition of Rs.9.34 lakh for the replacement of 4 old panels of RMU. The licensee has clarified that no Assets were created out of grants or consumer contribution. The split up of the depreciation claimed by the licensee is tabulated below.

**Table – 11**  
**Depreciation claimed for the year 2018-19**

Particulars	GFA (Rs. lakh)	Asset Addition (Rs. lakh)	Depreciation (Rs. lakh)
Distribution lines	33.37		2.18
Sub-station equipment	3715.87	9.34	160.65
Transformers	370.28		12.11
Others	152.84		3.63
Meters	5.67		0.01
<b>Gross Fixed Assets</b>	<b>4278.03</b>		<b>178.58</b>

39. The Commission has examined the details furnished by the licensee. The licensee has claimed depreciation of Rs.178.58 lakh for 2018-19, which includes depreciation for the assets added during the year. In addition, the licensee has also claimed interest charges on loans based on the Government of India Order till the year 2015-16.

40. In order to consider the proposal, the Commission has separately considered the assets created after 2015-16. Based on the details furnished by the licensee, the depreciation for the year is worked out as shown below:

**Table 12**  
**Depreciation approved for the year 2018-19**

	GFA	Accumulated depreciation till 2017-18	Depreciation for the year 2018-18
	Rs.lakh	Rs.lakh	Rs.lakh
Total Assets added till 31-3-2016	4,260.94	1,720.95	177.18
Assets added in the year 2016-17 & 2017-18	17.11	1.06	0.90
Asset added in 2018-19	9.34		0.49
<b>Total as on 31-3-2019</b>	<b>4,287.39</b>	<b>1,722.01</b>	<b>178.58</b>

**41. The Commission approves Rs.178.58 lakh as depreciation for the year 2018-19 including Rs.1.39 lakh for the assets created after 2015-16.**

### Interest and Finance Charges

**42.** The licensee in the ARR & ERC petition for the year 2018-19 had proposed Rs.413.84 as the interest and finance charges for the year. The Commission in their order had approved Rs.35.23 as interest on working capital and interest on consumer security deposits. The Commission notes that the licensee in their petition has included interest and finance charges on loans, interest on working capital and interest on consumer security deposits. The split up is tabulated below.

**Table – 13**  
**Details of Interest and finance charges for the years 2017-18 & 2018-19**

Particulars	2017-2018		2018-2019	
	As per Truing Up Petition (Rs. lakh)	As Per Trued Up (Rs.lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest and finance charges on long term loans	1.37	0.92	-	473.05
Interest on Working Capital	191.85	-	4.32	11.04
Interest on consumer security deposits	29.31	29.31	30.91	28.97
<b>Total</b>	<b>222.53</b>	<b>30.23</b>	<b>35.23</b>	<b>513.06</b>

**43.** The Commission has carefully considered each of these items as shown below:

### Interest charges on loans:

**44.** The licensee has stated in the petition that, since the Port does not have any equity, the cost incurred for creation of assets attributed to the Electricity distribution is being met out of the Government of India loans availed by CPT. The

Cabinet Committee on Economic Affairs has approved the proposal of CPT for waiver of penal interest on GoI loans to the tune of Rs.897.23 crore and scheduled principal and interest amounting to Rs.557.16 crore in 10 years commencing from 2018-19. Subsequently, the liability was reconciled by the Port with the record of Chief Control of Accounts and arrived at a final liability of Rs.558.53 crore (Principal Rs.258.14 crore + Interest 282.85 crore + Penal interest Rs.17.53 crore). As committed CPT has repayment started in 2018-19 and 1/10 of the amount was repaid in March 2019. The licensee claimed the distribution business share of interest on the GOI loan as Rs. 466.88 lakh. Further an amount of Rs. 6.17 lakh is also claimed as the interest on addition to capital assets.

45. The Commission noted that as per the Order dated 1-9-2016, the Government of India had frozen the total amount at Rs. 558.53 crore. This includes the principal loan amount of Rs.258.14 crore, interest liability of Rs.281.45 crore and penal interest of Rs.17.57 crore. This amount is to be paid in 10 years, in equal instalments starting from 2018-19. The licensee in their petition has claimed only the share of interest charges of Rs.281.45 crore for the Government of India loans. The proportionate interest charges for the distribution business is shown below :

**Table 14**  
**Interest charges for GOI Loan for 2018-19**

	Rs. Lakh
GFA as at the end of 31-3-2016	4,260.94
Principal as per books	25814.30
Interest charges on loan	28285.42
Share of interest charges (28285.42/25814.30*4260.94)	4668.82
Interest charges per year (4668.82/10)	466.88

46. The Commission's examination of the licensee's proposal reveal that they have claimed only the proportionate interest charges on the Government of India loan. Since the Commission has been providing yearly depreciation as per the provisions of the respective Regulations in force, the principal repayment amount has not been considered. ***The Commission till date has not allowed any interest charges for the licensee, as no interest charges were paid to the Government of India. Since the licensee has started repayment of interest and principal to the Government of India from 2018-19, the Commission hereby allows the proportionate interest repayment of Rs.466.88 lakh to the licensee.***

- 47.** As shown above, the interest charges for the assets upto 2015-16 is covered as part of the GOI Order. However, interest charges for the loan taken for asset addition after 2016-17 is to be allowed separately. As per Regulation 22(1), in the case of existing distribution system, the capital cost approved by the Commission prior to the First day of April 2018, including additional capitalization, if any and the expenditure projected for the respective financial years of the Control Period, shall form the basis for determination of tariff. As per Regulation 27(2) in the case of existing assets, the balance depreciable value as on the First day of April, 2018, shall be worked out by deducting the cumulative depreciation approved by the Commission upto the Thirty First day of March, 2018, from the gross depreciable value of the assets.
- 48.** Regulation 26(4) says that if any fixed asset is capitalised on account of capital expenditure incurred prior to the First day of April, 2018, the debt-equity ratio allowed by the Commission for determination of tariff for the period ending the Thirty First day of March, 2018 shall be considered. Further, Regulation 29(2) provides that the normative loan outstanding as on the First day of April, 2018, shall be worked out by deducting the amount of cumulative repayment as approved by the Commission up to the Thirty First day of March, 2018, from the normative loan.
- 49.** As per second proviso to Regulation, 21(4), if there is no actual loan portfolio, interest charges is to be allowed at base rate. The base rate is the Marginal Cost of funds based Lending Rate (MCLR) declared by the State Bank of India as applicable on first day of April of respective financial year for a tenor of one year. In the present case, the interest charges as per the GOI loan is not applicable since, the same is for the year upto 2015-16. Hence, base rate is applicable for the normative loan for the assets added from 2016-17 onwards. Based on the above provisions, the interest charges for the year 2018-19 is worked out as shown below:

**Table 15**  
**Interest charges approved for the year 2018-19**

		Rs. lakh	
1	Interest charges for the loan for the assets added till 2015-16 (As per GOI Order)		466.88
2	Assets added in 2016-17 & 2017-18	17.11	
3	Cumulative depreciation as on 31-3-2018	1.06	
4	<b>Net Opening Normative loan (2-3)</b>	<b>16.05</b>	
5	Assets added during the year	9.34	
6	Depreciation allowed for the year	1.40	
7	Net closing Normative loan (4+5-6)	23.99	



8	Average loan (4+7)/2	20.02	
9	Rate of Interest (Base rate as on 01-04-2018 one year tenor)	8.15%	
10	Interest charges (8 * 9)		1.63
11	<b>Total Interest on long term loan (1+10)</b>		<b>468.51</b>

50. As shown above, the Commission approves Rs.468.51 lakh as the total interest charges for the year 2018-19. Out of this, Rs.1.63 lakh is towards the normative loan for the assets added from 2016-17. Since the licensee has not infused any equity component, entire amount used for the creation of assets is treated as loan.

#### Interest on Working Capital:

51. The licensee has claimed an interest on working capital of Rs.11.04 Lakh as against Rs.4.32 lakh approved for the year 2018-19. The interest on working capital is at the rate of 10.15% which is the prevailing MCLR rate plus two percent. The details of interest on working capital claimed by the licensee are tabulated below.

**Table – 16**  
**Interest on Working Capital for the year 2018-19**

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
O&M expenses (one month)	88.62	84.96
Cost of Spares	-	-
Receivables (Revenue from sale of power) - 2 months revenue	478.15	488.21
<b>Total (A)</b>	<b>566.77</b>	<b>573.17</b>
<b>Less:</b>		
Security Deposit from consumers (B)	524.18	464.40
<b>Working Capital (A-B)</b>	<b>42.59</b>	<b>108.77</b>
Interest Rate (as per norms)	10.15%	10.15%
<b>Interest on working capital</b>	<b>4.32</b>	<b>11.04</b>

52. The Commission has examined the claim for interest on working capital by the licensee. The working capital requirement for CoPT for the year 2018-19 as per the Regulations and the interest thereon is as estimated below:

**Table – 17**  
**Approved Interest on Working Capital for the year 2018-19**

Particulars	For the year (Rs. lakh)	For Working capital (Rs. lakh)
O&M expenses (one month)	473.60	39.47

Cost of Spares	-	-
Receivables (Revenue from sale of power) - 2 months revenue	2929.27	488.21
<b>Total (A)</b>		<b>527.68</b>
<b>Less:</b>		
Security Deposit from consumers (B)	464.40	464.40
<b>Working Capital (A-B)</b>		<b>63.27</b>
Interest Rate (as per norms)		<b>10.15%</b>
<b>Interest on working capital</b>		<b>6.42</b>

**53. As shown above, the Commission approves Rs.6.42 lakh as interest on working capital for the year 2018-19.**

#### **Interest on Security Deposits:**

**54.** The licensee has also claimed an amount of Rs.28.97 Lakh as the interest on security deposits paid to the consumers of CoPT for the year 2018-19. The amount of security deposit from consumers for the year 2017-18 and 2018-19 is Rs.494.51 lakh and Rs.464.40 Lakh respectively. There is a decrease in the security deposit from consumers compared to the previous year. The licensee clarified that they had reviewed the adequacy of the security deposit based on the consumer's consumption pattern and the excess amount was refunded to them. **The Commission examined the licensee's submission and approve Rs.28.97 lakh as claimed by the licensee towards the interest on security deposit.**

#### **Return on Net Fixed Assets:-**

**55.** The licensee has claimed return on net fixed assets @3% at Rs.76.68 lakh. The Commission had allowed a return of Rs.76.20 lakh in the order on ARR & ERC which was 3% of the net fixed assets, as provided in the Tariff Regulations 2018. As per the details provided in the petition, the net fixed assets at the beginning of the year was Rs.2556.05 Lakh. **Considering the same, the Commission approves Rs.76.68 lakh as the RoNFA for the year 2018-19.**

#### **Revenue**

**56.** The total revenue includes revenue from the sale of power and non-tariff income claimed by the licensee.

#### **Revenue from Sale of Power:**

**57.** The actual revenue from sale of power for the year 2018-19 is Rs.2929.27 Lakh. A category wise comparison of the revenue from sale of power for the years 2017-18 & 2018-19 is as shown below.

**Table – 18**  
**Details of revenue from sale of power for 2018-19**

Consumer Category	2017-18 As per Truing Up Petition (Rs. lakh)			2018-19				
	Sale Lakh units	Revenue from sale	Average Realisation	ARR Approved (Rs. lakh)		As per Truing Up Petition (Rs. lakh)		
				Sale Lakh units	Revenue from sale	Sale Lakh units	Revenue from sale	Average Realisation
LT I	7.72	30.70	3.98	9.00	32.08	8.68	31.46	3.63
LT II	3.35	29.26	8.73	3.32	28.26	3.31	28.33	8.55
LT IV	0.01	0.20	15.98	0.45	3.37	0.40	2.94	7.42
LT VI A	3.98	29.33	7.37	4.47	29.41	3.19	21.25	6.67
LT VI B	3.17	25.06	7.91	3.27	26.17	4.39	33.90	7.72
LT VI B G	0.86	7.54	8.77	0.77	6.85	0.76	6.85	9.00
LT VI C	2.88	30.11	10.45	2.18	23.74	1.84	20.80	11.28
LT VI C G	0.52	5.95	11.44	0.56	6.64	0.57	6.78	11.81
LT VI F	2.48	27.14	10.94	0.16	1.83	1.08	10.49	9.75
LT VII A SINGLE PHASE	3.26	29.13	8.94	3.14	27.79	3.37	29.30	8.70
LT VII A THREE PHASE	39.89	441.20	11.06	36.41	413.11	37.39	401.68	10.74
LT VII C	0.23	2.40	10.43	0.30	2.82	0.53	4.74	8.95
Self consumption & Street lights	28.67	157.78	5.50	42.56	208.59	37.30	154.55	4.14
HT II	12.79	109.68	8.58	8.89	74.46	5.38	39.60	7.36
HT II (B) GOVT	4.88	35.96	7.37	4.23	39.32	8.86	75.99	8.58
HT INDUSTRIAL	7.45	56.64	7.60	186.71	1665.17	4.03	36.62	9.08
HT IV COMMERCIAL	187.60	1694.96	9.03	6.27	44.48	226.17	2024.00	8.95
HT IV MALABAR	28.79	234.50	8.15	29.21	234.79			
<b>Total</b>	<b>338.53</b>	<b>2947.54</b>		<b>341.91</b>	<b>2868.88</b>	<b>347.24</b>	<b>2929.27</b>	

**58.** Though there is an increase in sale in 2018-19 compared to 2017-18, the actual revenue from sale of power is lower compared to the previous year. Average realization certain consumer categories (LT VII A 3 phase, HT Govt, HT II(B) Govt) are lower compared to the previous year. According to the licensee, the consumption pattern of HT consumers vary from normal peak and off peak periods depending upon the vessel/plant operation. Also, the penalty/ incentives on energy charges influence the total revenue and average realization. **Considering the actual revenue realized for the year, the Commission approves Rs.2929.27 lakh as the revenue from sale of power for 2018-19.**

**Non-Tariff Income:**

- 59.** The actual non-tariff income booked by the licensee year 2018-19 is Rs.42.57 lakh. Out of this, Rs.11.58 lakh is towards interest on the security deposit held by KSEB Ltd and Rs.30.99 lakh is towards interest from bank.
- 60.** As per the Commission Order dated 13-11-2019 on the 2017-18 truing up of accounts, the licensee has an accumulated surplus of Rs.4381.44 lakh. The Commission has been approving the notional interest on accumulated revenue surplus at the SBI base rate. However, for the control period from 2018-19 to 2020-21, the Commission is of the view that the notional interest may be allowed on the SBI fixed term interest for a tenor of one year, considering the current interest rate scenario. Accordingly, the interest on the revenue surplus is approved at a rate of 6.25% for an amount of Rs.273.84 lakh. Of the above, the licensee has already accounted Rs.39.49 lakh as interest from bank. The balance amount is Rs.242.85 lakh. Thus, the total non-tariff income for the year 2018-19 is as shown below:

**Table – 19**  
**Non-Tariff Income allowed for truing up for 2018-19**

<b>Particulars</b>	<b>As per Truing Up Petition (Rs. lakh)</b>	<b>Trued Up (Rs lakh)</b>
Non-Tariff Income	42.57	42.57
Interest on accumulated surplus	-	242.85
<b>Total</b>	<b>42.57</b>	<b>285.42</b>

**Revenue Surplus/gap after Truing up of Accounts 2018-19**

- 61.** Based on the above the approved expense and revenue after truing up for 2018-19 is given below:

**Table 20**  
**ARR & ERC after truing up for 2018-19**

<b>Particulars</b>	<b>2018-19</b>		
	<b>Approved in ARR (Rs. lakh)</b>	<b>As per Truing Up Petition (Rs. lakh)</b>	<b>Approved in Truing up (Rs. lakh)</b>
Power Purchase Cost	2,368.70	2,402.18	2,402.18
R&M Expenses	435.22	24.89	473.60
Employee cost		925.86	
A&G Expenses		68.77	
Depreciation	179.70	178.58	178.58
Interest charges on long term loans	-	473.05	468.51
Interest on Working Capital	4.32	11.04	6.42

Interest on consumer security deposits	30.91	28.97	28.97
Return on NFA	76.20	76.68	76.68
<b>Total Expenditure</b>	<b>3,095.05</b>	<b>4,190.02</b>	<b>3,634.94</b>
Revenue from sale of power	2,868.88	2,929.27	2,929.27
Other income	255.77	42.57	285.42
<b>Total Revenue</b>	<b>3,124.65</b>	<b>2,971.84</b>	3214.69
<b>Revenue Surplus (+)/ Gap (-)</b>	<b>(+)29.60</b>	<b>(-)1218.19</b>	<b>(-)420.25</b>

### Orders of the Commission

**62.** The Commission after considering the petition filed by M/s. CPT for truing up of accounts for the year 2018-19, objections raised by KSEB Ltd. and the clarifications and details provided by the licensee approves the following:

- a. Total revenue is Rs. 3214.69 lakh
- b. Total expenditure is Rs.3634.94 lakh
- c. The revenue gap for the year is Rs.420.25 lakh.
- d. The cumulative revenue surplus till 2018-19 will be Rs. 3961.19 Lakh (Rs.4381.44 lakh – Rs.420.25 lakh). The licensee shall keep the surplus arrived at after the truing up process in a separate fund and utilize it as per orders of the Commission.
- e. The licensee shall comply with the Commission's directions given in Para 24 & 25 of this Order and within the time frame mentioned therein.

**63.** The petition is disposed of. Ordered accordingly.

Sd/-  
**R. Preman Dinaraj**  
Chairman

**Approved for issue**

Sd/-  
**Secretary (i/c)**